

As toll from Peru's storms mount, capitalists see new source of profits

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As the death toll and the mass misery inflicted predominantly upon the poorer section of Peru's population by the torrential rains, flooding and landslides caused by the climatic phenomenon known as El Niño mount, sections of the country's ruling class are seeing the disaster as a golden opportunity to reap new profits.

According to the latest figures from Peru's National Emergency Operation Center (COEN), at least 97 people have lost their lives and hundreds of thousands have been left homeless. Bridges, water supplies, schools, hospitals and other facilities have been destroyed or severely damaged, and large sections of the population are threatened with the spread of disease. Dengue outbreaks in the worst hit region of Piura, in northwestern Peru, have increased by 30 percent. The cost of the damage is estimated in the billions of dollars.

Above all, the ravages of El Niño have exposed the stark social inequality that pervades Peruvian society and the utter indifference of the country's ruling elite to the conditions of the masses of workers and poor as well as to the social infrastructure upon which they depend.

"This is not a natural disaster, but a natural phenomenon that has led to disaster because of the informal way this country has developed," Gilberto Romero, the head of Peru's Center for Disaster Research and Prevention, told the *Economist* magazine.

While feigning sympathy for the suffering that has been inflicted on the population, Peru's rapacious ruling class is pushing aggressively to turn the disaster into a new stream of wealth.

In its March 24 edition, the Peruvian business daily *Gestión* led with the headline, "Entrepreneurs demand plan for quick reconstruction." These "entrepreneurs"

are confident in securing the support of President Pedro Pablo Kuczynski—a former Wall Street banker—and his pro-business cabinet for "reconstruction" funds that will flow into the private sector.

The president, whose approval rating has continued to fall throughout the disaster, has refused to name a "tsar" for reconstruction, an indication of his policy of relying almost entirely on private financial firms and construction companies.

To put pressure on the government to release billions of dollars and to borrow similar amounts from the financial sector, Roque Benavides, president of the National Confederation of Private Enterprise Institutions (CONFIEP in Spanish) said: "The lack of solidarity with the people is a shameful act."

Benavides is the main owner of Minas Buenaventura in the Cajamarca region of Peru's northern highlands. For him to talk of "solidarity with the people" is an obscenity. Over the past decades, he has become a multimillionaire, exploiting miners and peasants, destroying the environment and trampling over the rights of the native population. In spite of holding large deposits of precious metals, Cajamarca remains one of the three poorest departments in Peru, out of a total of 24.

The truth is that the natural disaster affecting Peru couldn't have come at a more opportune time for Peru's capitalists, with the country's economy rapidly decelerating.

GDP projection has dropped to less than 2.8 percent. Until recently, Barclays and J.P. Morgan had it at 3.4 and 3.5 percent. Inflation is estimated at an annual rate of 3.7 percent, that is, higher than GDP growth.

Perhaps the most significant figure of economic deceleration is the fall of 24 percent in foreign investment this year, hitting its lowest level since 2009.

The entrepreneurs incorporated into business institutions: Confiep, AFIN (National Infrastructure Development, Capeco (Peruvian Chamber for Construction) and SNP (National Fishing Society), have taken a joint stand demanding the government “must act fast and begin reconstruction as quickly as possible.”

In their frantic call for action, one can perceive a sense of fear that this catastrophe, if the government fails to respond quickly—relying, of course on the private enterprise—may trigger uncontrollable social unrest. Already in Piura, people have blocked roads in protest over the lack of aid. In Lima, food price increases were met with angry threats of supermarket takeovers.

Given the predictability of El Niño, the government should have prepared for a potential disaster by creating a substantial reserve fund. It not only failed to do so, this week it came to light that in May 2016, then-President Ollanta Humala, who came into office on the basis of populist and nationalist rhetoric with the backing of Peru’s pseudo-left elements, suspended funding dedicated to preparing for the potential ravages of El Niño. Instead of financing disaster prevention, his administration reassigned most of the US\$923 million in funding to other infrastructure activities and preparations for the 2019 Pan American Games, leaving only 5 percent of the original amount.

Now, Peru’s Central Reserve Bank (BCR) estimates that rebuilding bridges and highways nationally will cost more than US\$3.8 billion.

According to the official government newspaper, *El Peruano*, “By means of a supreme decree, the Executive has allocated 1.5 billion nuevos soles [US\$462 million] in addition to the original budget of 1 billion, and has determined that this amount is available from the moment in which the legal provision was published, in such a way that its use is immediate at the three levels of government.”

The 2.5 billion nuevos soles, or US\$ 730 million decreed by the government, adds up only to 19 percent of the required amount just to repair bridges and highways estimated by the BCR. So, where will the rest of the money come from? While no doubt the national and regional governments can draw upon some additional funding for disaster relief, it will come nowhere near the amount needed.

The Peruvian financial ~~C~~ection, via a columnist, has made explicit its determination to “save” the country’s economy “with a strategic vision and in an orderly way” in part through “the reprogramming of numerous credits.”

Experience shows that when capitalists lend under conditions of crisis they exact profits far above the average, claiming they are making risky investments.

Nowhere are the predatory aims of the Peruvian ruling elite to enrich themselves off the tragedies inflicted by El Niño expressed more clearly than in their ruthless exploitation of the working class.

The initial “reconstruction” plan contemplates hiring 40,000 laborers to work on projects lasting two to five months, including the building of retaining walls, shore defenses and other protections against floods. The workers will be paid a meager 30 nuevos soles for eight hours of hard and dangerous work; that is US\$1.15 per hour, less than the Peruvian minimum wage of 850 nuevos soles per month or US\$1.50 per hour.



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